

State of Alaska FY2022 Governor's Operating Budget

Department of Education and Early Development Loan Servicing RDU/Component Budget Summary

RDU/Component: Loan Servicing

Contribution to Department's Mission

To promote access to and success in education and career training beyond high school for Alaskans.

Major Component Accomplishments in 2020

The Alaska Student Loan Corporation (ASLC) operates as an enterprise agency of the State of Alaska thereby funding and facilitating the work of the Alaska Commission on Postsecondary Education (ACPE).

- ASLC continued to fund low-cost education loans to assist Alaska students with the financing of their postsecondary education;
- ASLC continued to meet all of its fiscal responsibilities including substantially absorbing the administrative costs of ACPE's programs and services without reliance on state general fund monies;
- Refined the Alaska Education Loan Refinancing Program (Refi), offering Alaska residents the opportunity to refinance all their education loan debt, regardless of lender, at reduced cost, with the long-term goal of achieving servicing savings sufficient to reduce costs for new student borrowers;
- ASLC offered the FY2020 refinance loan with a low interest rate of 4.85%;
- Outsourced servicing of the legacy Federal Family Education Loan Program (FFELP) portfolio and implemented a contract monitoring system; and
- Met annual loan demand without the issuance of new debt.

Key Component Challenges

- Reduced higher education enrollments, primarily associated with the COVID-19 health pandemic, have reduced lending volume;
- Within the current financial market context ASLC is and will continue to face difficulties in achieving low-cost financing such that it will be possible to significantly reduce education loan interest rates while also making loans available to a broader segment of Alaska's student population;
- The drop in loan volume since 2008 is resulting in a declining loan portfolio. Given the fixed costs associated with high quality loan servicing, this portfolio runoff is eroding administrative efficiency of scale and impairing ASLC's ability to keep education loan interest costs low;
- Alaska students are not aware of the benefits of state education loans, resulting in over half of Alaska's students borrowing from considerably more expensive but high name-recognition private lenders; and
- Refuting growing national mythology that student loans are inherently bad investments.

Significant Changes in Results to be Delivered in FY2022

- Further expand the Refi program to attract new volume and reduce ASLC servicing costs, especially at the high FICO ranges;
- Continue to responsibly increase loan volume through interest rate reductions and tiered credit requirements;
- Expand and streamline on-demand, mobile-friendly online account access for borrowers and for the increasing number of cosigners;
- Expand use of email and other electronic communications to reduce costs of communicating with customers; and
- Outsource the originations and loan servicing of state education loans to reduce costs while maintaining quality.

Statutory and Regulatory Authority

AS 14.42.030
 AS 14.42.100-990
 AS 14.43.091-175
 AS 14.43.600-790
 AS 14.43.910-990

AS 14.44.040
20 AAC 15.086-590
20 AAC 15.700-990
20 AAC 18.005-990

Contact Information
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Component Detail All Funds
Department of Education and Early Development

Component: Loan Servicing (3096)

Non-Formula Component

RDU: Alaska Student Loan Corporation (637)

	FY2020 Actuals	FY2021 Conference Committee	FY2021 Authorized	FY2021 Management Plan	FY2022 Governor	FY2021 Management Plan vs FY2022 Governor	
71000 Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
72000 Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
73000 Services	9,470.7	11,062.1	11,062.1	11,062.1	9,573.5	-1,488.6	-13.5%
74000 Commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
75000 Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
77000 Grants, Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
78000 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Totals	9,470.7	11,062.1	11,062.1	11,062.1	9,573.5	-1,488.6	-13.5%
Fund Sources:							
1106 ASLC Rcpts (Other)	9,470.7	11,062.1	11,062.1	11,062.1	9,573.5	-1,488.6	-13.5%
Unrestricted General (UGF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Designated General (DGF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Other Funds	9,470.7	11,062.1	11,062.1	11,062.1	9,573.5	-1,488.6	-13.5%
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Positions:							
Permanent Full Time	0	0	0	0	0	0	0.0%
Permanent Part Time	0	0	0	0	0	0	0.0%
Non Permanent	0	0	0	0	0	0	0.0%

Change Record Detail - Multiple Scenarios with Descriptions
Department of Education and Early Development

Component: Loan Servicing (3096)

RDU: Alaska Student Loan Corporation (637)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions PFT	PPT	NP
***** Changes From FY2021 Conference Committee To FY2021 Authorized *****												
Conference Committee												
1106 ASLC Rcpts	ConfCom	11,062.1	0.0	0.0	11,062.1	0.0	0.0	0.0	0.0	0	0	0
		11,062.1										
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	Subtotal	11,062.1	0.0	0.0	11,062.1	0.0	0.0	0.0	0.0	0	0	0
***** Changes From FY2021 Management Plan To FY2022 Governor *****												
Delete Authority No Longer Needed												
1106 ASLC Rcpts	Dec	-1,057.1	0.0	0.0	-1,057.1	0.0	0.0	0.0	0.0	0	0	0
		-1,057.1										
This reduction is tied to the deletion of interagency receipts in the Program Administration and Operations component for the seven full-time positions and other related cost savings measures.												
Administration of State Programs by the Commission												
1106 ASLC Rcpts	Dec	-431.5	0.0	0.0	-431.5	0.0	0.0	0.0	0.0	0	0	0
		-431.5										
The Commission is required by statute to administer the Alaska Performance Scholarship, the Alaska Education Grant, WWAMI, and the state's institutional authorization programs but receives no appropriation to cover the costs of these requirements. The Alaska Student Loan Corporation (ASLC) has been absorbing these costs as de minimis to its overall costs. However, reductions in the size of the loan portfolio result in these costs no longer being de minimis. Statute (AS 14.42) provides that Corporation funds are to be used to finance and operate the loan programs.												
The amount spent on these programs in FY21 was \$431.5, as follows:												
Alaska Performance Scholarship		\$98.5										
Alaska Education Grant		\$51.3										
Institutional Authorization		\$115.0										
Statutory Programs		\$166.7										
Total		\$431.5										
This decrement reduces ASLC receipts that have been paying for these services and is tied to the increase of \$431,500 Higher Education Investment Funds in Alaska Commission on Postsecondary Education.												
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	Totals	9,573.5	0.0	0.0	9,573.5	0.0	0.0	0.0	0.0	0	0	0

Line Item Detail (1676)
Department of Education and Early Development
Services

Component: Loan Servicing (3096)

Line Number	Line Name		FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
3000	Services		9,470.7	11,062.1	9,573.5
Object Class	Servicing Agency	Explanation	FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
3000 Services Detail Totals			9,470.7	0.0	9,573.5
3027	Inter-Agency Financial	Division of Finance - Computer services for State accounting (IRIS), payroll (HRM), and reporting (ALDER) systems.	9,566.0	0.0	0.0
3027	Inter-Agency Financial	E&ED - Program Admin & Operations (2738) Alaska Student Loan Corporation receipts.	-95.3	0.0	9,573.5

Revenue Detail (1681)
Department of Education and Early Development

Component: Loan Servicing (3096)

Revenue Type (OMB Fund Code) Revenue Source	Component	Comment	FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
6106 ASLC Rcpts (1106 ASLC Rcpts)			0.0	0.0	9,573.5
6726 Alaska Student Loan Corporation Receipts - Miscellaneous	E&ED - Program Admin & Operations (2738)	Education loan receipts.	0.0	0.0	9,573.5

Inter-Agency Services (1682)
Department of Education and Early Development

Component: Loan Servicing (3096)

				FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
Component Totals				-95.3	0.0	9,573.5
With Department of Education and Early Development				-95.3	0.0	9,573.5
Object Class	Servicing Agency	Explanation		FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
3027 Inter-Agency Financial	E&ED - Program Admin & Operations (2738)	Alaska Student Loan Corporation receipts.		-95.3	0.0	9,573.5